

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported): January 20, 2004

CHARTER ONE FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation
or organization)

001-15495

(Commission File Number)

34-1567092

(I.R.S. Employer
Identification No.)

1215 Superior Avenue, Cleveland, Ohio

(Address of principal executive offices)

44114

(Zip Code)

(216) 566-5300

(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name or former address, if changed since report)

TABLE OF CONTENTS

CONSOLIDATED STATEMENTS OF INCOME
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
SELECTED STATISTICAL DATA
AVERAGE BALANCE SHEET, YIELDS AND COSTS
LOAN AND LEASE ACTIVITY
ALLOWANCE FOR LOAN AND LEASE LOSSES
NET CHARGE-OFFS TO AVERAGE LOANS AND LEASES
LOAN AND LEASE PORTFOLIO
NONPERFORMING AND UNDERPERFORMING ASSETS

ITEM 12. Results of Operations and Financial Condition

On January 20, 2004, the Registrant issued the following earnings release for the quarterly period ended December 31, 2003:



News Release

CONTACT: ELLEN BATKIE (800) 262-6301

CHARTER ONE REPORTS 4th QTR EPS OF \$.69, UP 10%

Highlights for the quarter ended 12/31/03:

- Net earnings of \$.69 per share, up 10% over 4Q 2002
- Opened 26 banking centers, bringing 12-month total to 118 de novo locations
- Deposit-related revenue up 16% over 4Q 2002; 20% adjusted for MasterCard debit card settlement
- Retail consumer checking accounts up an annualized 8% in 4Q 2003, 10% in the year
- Noninterest-bearing deposits (excluding custodial balances) up annualized 27% in 4Q 2003
- Non-single family lending portfolio up annualized 15% in 4Q 2003
- Permanent single-family loans and MBSs down \$1.4 billion in 4Q 2003, \$3.4 billion since 6/30/03

CLEVELAND, Ohio, January 20, 2004 — Charter One Financial, Inc. (NYSE:CF), the holding company of Charter One Bank, N.A., today reported net income of \$158.2 million for the three months ended December 31, 2003, or \$.69 per diluted share. This was up 9.5% from \$.63 in diluted earnings per share reported in the year ago quarter.

Net income for the quarter generated annualized returns of 1.46% on average assets, 19.24% on average equity, and 22.31% on average tangible equity. In the year ago quarter, the returns were 1.40% on average assets, 19.11% on average equity and 22.18% on average tangible equity.

For the 12 months ended December 31, 2003, the Company reported record net income of \$630.9 million, or \$2.74 per diluted share, which was up 12% from \$2.45 per diluted share for 2002. Returns for the year ended December 31, 2003 were 1.45% on average assets, 19.45% on average equity, and 22.51% on average tangible equity. Comparable returns for 2002 were 1.47% on average assets, 19.38% on average equity, and 22.31% on average tangible equity

“During the fourth quarter we continued the considerable progress we’ve made throughout the year in building the franchise value of Charter One,” commented Charles John Koch, Charter One’s Chairman and Chief Executive Officer. “Our primary goals for the year included an aggressive de novo banking center initiative, shifting our deposit emphasis toward non-interest bearing accounts, generating strong retail revenue growth, and increasing the non-single family portfolios. We believe the outstanding success we have had places us among the best performing retail consumer banks in the country. These strong results, coupled with an extraordinary mortgage production year, enabled us to accomplish another important strategic objective, namely the reduction of our residential mortgage exposure and resultant interest rate risk. This effort resulted in reducing that exposure by \$3.4 billion in the second half of the year.”

Net interest income and net yield — Net interest income was \$289.2 million for the three months ended December 31, 2003, up 1.4% from the previous quarter and down 3.2% from the year ago

quarter. Net yield on interest-earning assets was 2.84% during the fourth quarter of 2003, 2.80% during the third quarter of 2003, and 3.07% during the fourth quarter of 2002.

Retail banking revenue — Retail banking revenue totaled \$102.6 million for the three months ended December 31, 2003, up 14.9% from the comparable 2002 quarter. The most significant driver of the increase was deposit-related revenue, which totaled \$89.6 million, up 15.5% over the year ago quarter and up 8.4% from the third quarter of 2003. The fourth quarter of 2003 reflected reduced revenue from debit card transactions that resulted from the MasterCard settlement earlier this year. The settlement, which went into effect August 1, 2003, reduced fourth quarter revenue by approximately \$3.8 million and 2003 revenue by approximately \$6.0 million, or roughly \$.02 per share. Without that reduction, fourth quarter 2003 deposit-related revenue would have been up 20.4% over the fourth quarter of 2002, and the year 2003 would have posted an 18.2% increase over 2002. The other components of retail banking revenue include fees from retail brokerage activities (\$9.1 million, up 8.5% from the year ago quarter), and other revenue related to retail operations (\$3.9 million, up 17.0%).

Mortgage banking revenue — The mortgage banking category includes revenue associated with Charter One’s mortgage banking operations, adjusted by the amortization and valuation adjustments related to its mortgage servicing rights asset (“MSR”). During the fourth quarter, MSR-related adjustments reduced revenue by \$5.7 million as the Company recognized an impairment in the value of its MSR. The total mortgage banking revenue, excluding MSR-related adjustments, was \$8.9 million in the fourth quarter of 2003, down from \$17.2 million in the year ago quarter. The reduction was due primarily to the significant decrease in mortgage production during the fourth quarter of 2003. The portfolio serviced for others totaled \$16.9 billion at December 31, 2003, and carried a weighted average coupon of 6.12%. The related MSR is now 1.05% of the portfolio at \$177 million. With an average servicing spread of 36 basis points, that translates into an MSR valuation of 2.9 times the servicing spread.

Net gains — During the fourth quarter of 2003, the Company reported net gains of \$63.3 million. This included \$59 million in gains from the sale of \$2.6 billion of mortgage-backed securities. As of December 31, 2003, there were approximately \$35 million unrealized pretax gains in the mortgage-backed securities portfolio.

Leasing operations — Other income from leasing operations was \$1.7 million in the fourth quarter of 2003, compared with a loss of \$4.6 million in the fourth quarter of 2002. Adjustments to residual values reduced revenue by \$1.7 million in the fourth quarter of 2003 and by \$4.0 million in the fourth quarter of 2002.

Operating expenses — Administrative expenses totaled \$217.8 million in the three months ended December 31, 2003, up 11.8% from the previous quarter and up 23.2% from the year ago quarter. Due to the continued success of the retail checking account programs and other franchise enhancing initiatives, the Company elected to spend significantly more marketing dollars (\$24.0 million in the fourth quarter of 2003 versus \$9.8 million in the year ago quarter) to support these continuing efforts. The higher level of expenses also included operating 131 more banking centers than a year earlier (a 28% increase in locations). Additionally, the fourth quarter expenses included approximately \$7 million in items related to adjusting the size of the mortgage

operation for the significant reduction in production; these items included severance costs resulting from head-count reduction and overall excess capacity which was not reduced until January 2004. Sequentially, comparing the fourth quarter of 2003 with the third quarter of 2003, the most significant increases were in state taxes (\$4 million) and costs associated with excess mortgage capacity. The efficiency ratio was 46.61% for the fourth quarter of 2003, compared to 41.84% for the third quarter of 2003 and 39.25% for the fourth quarter of 2002.

Lending portfolio growth — Loans and leases before reserves totaled \$28.6 billion at December 31, 2003, up an annualized 3% in the quarter. This growth occurred notwithstanding \$1.2 billion in loans securitized during the quarter. Absent securitizations, the overall portfolio would have been up an annualized 20% during the fourth quarter and up 35% during the year. Non-single family loans totaled \$19.8 billion at December 31, 2003, up \$719 million in the quarter, for a 15% annualized growth. The non-single family growth was led by a three-month increase of \$492 million (9.9%, 39% annualized) in retail consumer loans (principally home equity lines and loans), and \$81 million (12%, 48% annualized) in the small business component of corporate banking. Small business loans now total \$757 million of the \$1.7 billion corporate banking portfolio, up 49% from \$508 million at the end of 2002.

Mortgage-backed securities available for sale — Mortgage-backed securities available for sale totaled \$10.2 billion at December 31, 2003, down \$884 million during the quarter and \$1.3 billion during the year. At December 31, 2003, the portfolio was comprised of 94% in fixed-rate securities with a duration of approximately 3.5 years, and 6% in floating-rate securities.

Deposits — “At the beginning of this year, we indicated we would emphasize noninterest-bearing checking growth, as opposed to total deposits as in previous years,” Mr. Koch stated. “The result was a net growth in retail noninterest-bearing deposits of over \$700 million, up 48% on the year, far exceeding all our expectations. That translates into a solid increase in franchise value. What makes this most impressive is that nearly all the growth is coming through retail consumer and small business accounts.”

Total deposits totaled \$27.2 billion at December 31, 2003, down \$843 million in the fourth quarter. The decrease resulted from a \$470 million decrease in CDs and a \$365 million decrease in custodial balances. Core deposits (checking, money market and savings accounts) accounted for \$16.9 billion, or 62% of the total. Excluding custodial balances, noninterest-bearing deposits totaled \$2.2 billion at December 31, 2003, up \$137 million, or an annualized 27%, in the fourth quarter and up \$709 million, or 48%, in 2003. Custodial balances totaled \$355 million at December 31, 2003, \$719 million at September 30, 2003, and \$721 million at December 31, 2002.

The push into small business banking continued to post impressive results during the fourth quarter. Business deposits, which are included in core deposits, increased to \$2.1 billion at December 31, 2003, up \$84 million, or 4% (17% annualized), during the three-month period, and up \$859 million, or 69% for the year.

Finally, the retail sales force focused intensely on net growth in the number of checking accounts in 2003. Charter One ended the fourth quarter with 1,465,000 checking accounts, up from

1,435,300 accounts at September 30, 2003 (8% annualized growth rate) and 1,332,400 accounts at the end of 2002 (10% growth rate).

Retail expansion update — During 2003, Charter One initiated an aggressive de novo expansion plan. The initiative has led to 118 net new banking centers since the end of 2002 (excluding 13 added in the June acquisition of Advance Bancorp), with 26 opened during the fourth quarter. In-store banking centers represented 96 of the banking centers opened this year, with 15 of those being opened in the fourth quarter. Charter One’s in-store franchise now includes 146 banking centers, or 25% of its retail network. Results to date continue to exceed our expectations, with in-store locations consistently breaking even in six to nine months. The Company expects additional expansion during 2004, looking to open approximately 125 additional banking centers, including 73 in-store locations.

Credit quality and allowance for loan losses — Net charge-offs during the fourth quarter of 2003 totaled \$23 million, or .32% of average loans and leases (annualized), down from .37% in the third quarter of 2003 and .38% in the fourth quarter of 2002. The allowance for loan and lease losses totaled \$384 million at December 31, 2003, which was 1.34% of total loans and leases at December 31, 2003, and represented almost four years of coverage to fourth quarter annualized levels.

At December 31, 2003, nonperforming assets totaled \$206 million or .73% of loans, leases and collateral owned, up from \$189 million or .67% at September 30, 2003. Underperforming assets (including nonperforming assets, troubled debt restructuring and loans delinquent 90 days and still accruing) totaled \$251 million or .89% of loans, leases and collateral owned, compared to \$240 million or .85% at September 30, 2003. The increase during the quarter was attributable to two commercial real estate loans in the Company’s footprint, both of which are well secured.

Stock repurchase update — On April 23, 2002, the Company authorized a new repurchase program that permits the repurchase of 10% of its outstanding shares, or approximately 22 million shares. The Company repurchased 984,000 shares under the authorization during the fourth quarter of 2003 at an average cost of \$31.17 per share, and 7.6 million shares at an average cost of \$31.03 per share during the 12 months ended December 31, 2003. As of December 31, 2003, the total repurchased under the current authorization was 15.6 million shares at an average cost of \$31.00 per share, leaving approximately 6 million shares remaining under the program.

Company profile — Charter One has \$43 billion in total assets, making it one of the 25 largest bank holding companies in the country. The Bank has nearly 600 banking center locations in Ohio, Michigan, New York, Illinois, Massachusetts, Vermont, Indiana, Connecticut and Pennsylvania. The Company’s diverse product set includes: consumer banking, indirect auto finance, commercial leasing, business lending, commercial real estate lending, mortgage banking, and retail investment products. For additional information, including press releases, investor presentations, committee charters, and reports filed with the SEC, investors are directed to Charter One’s web site: www.charterone.com.

The Company has scheduled a conference call to discuss quarterly and annual results, along with the outlook for 2004, for 10:00 a.m. eastern time on Wednesday, January 21, 2004. To participate in the call, dial (888) 428-4479 and ask for the Charter One 4th quarter earnings call. The call is available on a replay basis until January 28, 2004 by dialing (320) 365-3844, access code 714963. Alternatively, the call will be available through Charter One’s website, both on a live and a replay basis.

Forward-Looking Information

This release contains certain estimates of future operating trends for Charter One Financial, Inc., as well as estimates of financial condition and earnings, operating efficiencies, revenue creation, lending origination, loan sale volumes, charge-offs and loan loss provisions. These estimates constitute forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995), which involve significant risks and uncertainties. Actual results may differ materially from the results discussed in these forward-looking statements. Factors that might cause such a difference include, but are not limited to: (1) revenue growth is lower than expected; (2) competitive pressures among depository institutions increase significantly; (3) changes in the interest rate environment reduce interest margins; (4) deterioration in the credit quality of the Company’s loan portfolio requires higher loss provisions; (5) general economic conditions, either nationally or in the states in which the Company does business, are less favorable than expected; (6) legislation or regulatory changes adversely affect the businesses in which the Company is engaged; and (7) ongoing geopolitical conflicts add unexpected stress on the economy or customer base. Other factors that may affect these statements are identified in previous filings with the Securities and Exchange Commission.

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CHARTER ONE FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

| | Three Months Ended | | | | |
|---|--------------------|-------------|-------------|-------------|-------------|
| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
| (Dollars in thousands, except per share data) | | | | | |
| Interest income: | | | | | |
| Loans and leases | \$ 376,741 | \$ 368,952 | \$ 367,602 | \$ 377,724 | \$ 418,711 |
| Mortgage-backed securities: | | | | | |
| Available for sale | 118,903 | 129,695 | 154,490 | 149,311 | 131,821 |
| Held to maturity | 4,065 | 5,326 | 6,858 | 8,269 | 9,991 |
| Investment securities: | | | | | |
| Available for sale | 3,590 | 3,563 | 3,297 | 3,043 | 2,969 |
| Held to maturity | 48 | 51 | 56 | 54 | 60 |
| Other interest-earning assets | 7,619 | 7,531 | 7,856 | 7,385 | 8,184 |
| | | | | | |
| Total interest income | 510,966 | 515,118 | 540,159 | 545,786 | 571,736 |
| Interest expense: | | | | | |
| Deposits | 110,746 | 115,862 | 126,734 | 133,743 | 154,018 |
| Federal Home Loan Bank advances | 97,385 | 100,813 | 104,025 | 99,799 | 105,492 |
| Other borrowings | 13,678 | 13,185 | 13,969 | 13,203 | 13,627 |
| | | | | | |
| Total interest expense | 221,809 | 229,860 | 244,728 | 246,745 | 273,137 |
| | | | | | |
| Net interest income | 289,157 | 285,258 | 295,431 | 299,041 | 298,599 |
| Provision for loan and lease losses | 17,778 | 37,663 | 35,360 | 61,471 | 60,314 |
| | | | | | |
| Net interest income after provision for loan and lease losses | 271,379 | 247,595 | 260,071 | 237,570 | 238,285 |
| Other income: | | | | | |
| Retail banking | 102,593 | 94,183 | 97,087 | 84,100 | 89,261 |
| Mortgage banking | 3,240 | 65,604 | (23,895) | (27) | (1,992) |
| Leasing operations | 1,668 | (4,118) | (12,230) | (6,856) | (4,566) |
| Net gains | 63,274 | 16,112 | 108,549 | 76,653 | 61,585 |
| Bank owned life insurance and other | 7,489 | 8,638 | 8,450 | 7,956 | 7,834 |
| | | | | | |
| Total other income | 178,264 | 180,419 | 177,961 | 161,826 | 152,122 |
| Administrative expenses: | | | | | |
| Compensation and employee benefits | 101,612 | 92,582 | 90,790 | 87,056 | 81,827 |
| Net occupancy and equipment | 34,124 | 31,985 | 30,466 | 31,186 | 30,360 |
| Marketing expenses | 24,010 | 22,411 | 20,205 | 13,647 | 9,843 |
| Federal deposit insurance premiums | 1,066 | 1,118 | 1,125 | 1,142 | 1,142 |
| Other administrative expenses | 57,034 | 46,733 | 52,168 | 50,261 | 53,716 |
| | | | | | |
| Total administrative expenses | 217,846 | 194,829 | 194,754 | 183,292 | 176,888 |
| | | | | | |
| Income before income taxes | 231,797 | 233,185 | 243,278 | 216,104 | 213,519 |
| Income taxes | 73,583 | 74,036 | 77,241 | 68,613 | 67,793 |
| | | | | | |
| Net income | \$ 158,214 | \$ 159,149 | \$ 166,037 | \$ 147,491 | \$ 145,726 |
| Basic earnings per share | | | | | |
| | \$.71 | \$.71 | \$.74 | \$.66 | \$.65 |
| Diluted earnings per share | | | | | |
| | \$.69 | \$.69 | \$.72 | \$.64 | \$.63 |
| Average common shares outstanding: | | | | | |
| Basic | 222,720,197 | 224,399,805 | 225,501,687 | 224,997,398 | 225,561,551 |
| | | | | | |
| Diluted | 228,809,671 | 230,661,929 | 231,095,694 | 230,460,847 | 231,502,688 |
| | | | | | |
| Cash dividends declared per share | \$.26 | \$.26 | \$.24 | \$.22 | \$.22 |

CHARTER ONE FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)

| | Twelve Months Ended | |
|---|---|--------------|
| | 12/31/03 | 12/31/02 |
| | (Dollars in thousands, except per share data) | |
| Interest income: | | |
| Loans and leases | \$ 1,491,019 | \$ 1,671,843 |
| Mortgage-backed securities: | | |
| Available for sale | 552,399 | 519,821 |
| Held to maturity | 24,518 | 47,747 |
| Investment securities: | | |
| Available for sale | 13,493 | 11,495 |
| Held to maturity | 209 | 252 |
| Other interest-earning assets | 30,391 | 35,303 |
| Total interest income | 2,112,029 | 2,286,461 |
| Interest expense: | | |
| Deposits | 487,085 | 654,816 |
| Federal Home Loan Bank advances | 402,022 | 416,864 |
| Other borrowings | 54,035 | 44,951 |
| Total interest expense | 943,142 | 1,116,631 |
| Net interest income | 1,168,887 | 1,169,830 |
| Provision for loan and lease losses | 152,272 | 192,003 |
| Net interest income after provision for loan and lease losses | 1,016,615 | 977,827 |
| Other income: | | |
| Retail banking | 377,963 | 330,735 |
| Mortgage banking | 44,922 | (18,495) |
| Leasing operations | (21,536) | (3,575) |
| Net gains | 264,588 | 205,033 |
| Bank owned life insurance and other | 32,533 | 33,848 |
| Total other income | 698,470 | 547,546 |
| Administrative expenses: | | |
| Compensation and employee benefits | 372,040 | 321,167 |
| Net occupancy and equipment | 127,761 | 116,845 |
| Marketing expenses | 80,273 | 40,472 |
| Federal deposit insurance premiums | 4,451 | 4,563 |
| Other administrative expenses | 206,196 | 195,925 |
| Total administrative expenses | 790,721 | 678,972 |
| Income before income taxes | 924,364 | 846,401 |
| Income taxes | 293,473 | 268,733 |
| Net income | \$ 630,891 | \$ 577,668 |
| Basic earnings per share | \$ 2.82 | \$ 2.52 |
| Diluted earnings per share | \$ 2.74 | \$ 2.45 |
| Average common shares outstanding: | | |
| Basic | 224,404,772 | 229,302,385 |
| Diluted | 230,257,035 | 236,115,843 |
| Cash dividends declared per share | \$.98 | \$.83 |

CHARTER ONE FINANCIAL, INC.
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(unaudited)

| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
|---|---|--------------|--------------|--------------|--------------|
| | (Dollars in thousands, except per share data) | | | | |
| ASSETS | | | | | |
| Cash and deposits with banks | \$ 527,649 | \$ 526,534 | \$ 586,018 | \$ 507,726 | \$ 446,701 |
| Federal funds sold and other | 517 | 516 | 10,514 | 1,350,513 | 512 |
| | | | | | |
| Total cash and cash equivalents | 528,166 | 527,050 | 596,532 | 1,858,239 | 447,213 |
| Investments securities: | | | | | |
| Available for sale | 273,260 | 270,511 | 336,126 | 227,137 | 210,095 |
| Held to maturity | 3,505 | 3,952 | 3,691 | 4,157 | 3,973 |
| Mortgage-backed securities: | | | | | |
| Available for sale | 10,193,798 | 11,078,285 | 14,313,397 | 12,799,506 | 11,536,608 |
| Held to maturity | 251,449 | 292,336 | 362,768 | 445,207 | 540,781 |
| Loans and leases, net | 28,130,017 | 27,735,087 | 25,127,882 | 24,685,258 | 25,852,846 |
| Loans held for sale | 120,431 | 296,078 | 362,270 | 291,729 | 351,892 |
| Bank owned life insurance | 828,678 | 823,676 | 834,337 | 837,660 | 829,043 |
| Federal Home Loan Bank and Federal Reserve Bank stock | 705,244 | 700,170 | 694,073 | 679,339 | 681,923 |
| Premises and equipment, net | 404,086 | 391,615 | 375,256 | 355,084 | 353,730 |
| Accrued interest receivable | 140,857 | 147,254 | 153,346 | 149,989 | 154,962 |
| Real estate and other collateral owned | 36,643 | 48,198 | 40,220 | 42,106 | 42,980 |
| Mortgage servicing rights | 177,244 | 168,697 | 115,242 | 139,085 | 128,564 |
| Goodwill | 415,696 | 415,696 | 433,014 | 386,372 | 386,372 |
| Other assets | 418,992 | 380,647 | 386,785 | 347,735 | 375,090 |
| | | | | | |
| Total assets | \$42,628,066 | \$43,279,252 | \$44,134,939 | \$43,248,603 | \$41,896,072 |
| | | | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Deposits: | | | | | |
| Checking accounts: | | | | | |
| Interest-bearing | \$ 5,666,346 | \$ 5,810,478 | \$ 6,493,279 | \$ 7,267,602 | \$ 7,460,530 |
| Noninterest-bearing | 2,532,616 | 2,760,848 | 2,656,047 | 2,385,243 | 2,189,903 |
| | | | | | |
| Total checking accounts | 8,198,962 | 8,571,326 | 9,149,326 | 9,652,845 | 9,650,433 |
| Money market and savings accounts | 8,686,356 | 8,686,491 | 8,475,706 | 8,207,576 | 8,157,534 |
| Certificates of deposit | 10,318,001 | 10,788,421 | 10,314,742 | 9,523,194 | 9,719,876 |
| | | | | | |
| Total deposits | 27,203,319 | 28,046,238 | 27,939,774 | 27,383,615 | 27,527,843 |
| Federal Home Loan Bank advances | 9,847,293 | 9,820,184 | 10,582,255 | 10,446,630 | 9,037,925 |
| Federal funds purchased and repurchase agreements | 269,319 | 62,716 | 51,399 | 52,496 | 283,912 |
| Other borrowings | 697,753 | 704,629 | 706,083 | 707,591 | 708,853 |
| Advance payments by borrowers for taxes and insurance | 61,054 | 50,768 | 58,593 | 46,706 | 23,595 |
| Accrued interest payable | 35,944 | 65,075 | 46,418 | 72,017 | 38,372 |
| Accrued expenses and other liabilities | 1,237,515 | 1,288,801 | 1,387,835 | 1,307,416 | 1,191,747 |
| | | | | | |
| Total liabilities | 39,352,197 | 40,038,411 | 40,772,357 | 40,016,471 | 38,812,247 |
| | | | | | |
| Shareholders' equity: | | | | | |
| Preferred stock — \$.01 par value per share; 20,000,000 shares authorized and unissued | — | — | — | — | — |
| Common stock — \$.01 par value per share; 360,000,000 shares authorized; 229,940,729, 229,944,441, 229,946,762, 227,571,468 and 227,571,468 shares issued | 2,299 | 2,299 | 2,299 | 2,276 | 2,276 |
| Additional paid-in capital | 2,280,335 | 2,274,947 | 2,270,580 | 2,197,388 | 2,193,095 |
| Retained earnings | 1,178,803 | 1,098,042 | 1,009,784 | 908,486 | 824,564 |
| Less 6,767,285, 6,953,759, 3,851,660, 2,539,076 and 2,781,151 shares of common stock held in treasury at cost | (209,653) | (215,085) | (116,652) | (74,423) | (82,610) |
| Accumulated other comprehensive income | 24,085 | 80,638 | 196,571 | 198,405 | 146,500 |
| | | | | | |
| Total shareholders' equity | 3,275,869 | 3,240,841 | 3,362,582 | 3,232,132 | 3,083,825 |
| | | | | | |
| Total liabilities and shareholders' equity | \$42,628,066 | \$43,279,252 | \$44,134,939 | \$43,248,603 | \$41,896,072 |

CHARTER ONE FINANCIAL, INC.

SELECTED STATISTICAL DATA

(unaudited)

| | Three Months Ended | | | | |
|---|--------------------|---------|---------|---------|----------|
| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
| Annualized returns and ratios based on net income: | | | | | |
| Return on average assets | 1.46% | 1.46% | 1.50% | 1.38% | 1.40% |
| Return on average equity | 19.24 | 20.12 | 19.86 | 18.48 | 19.11 |
| Average equity to average assets | 7.58 | 7.25 | 7.55 | 7.46 | 7.35 |
| Net interest income to administrative expenses | 1.33x | 1.46x | 1.52x | 1.63x | 1.69x |
| Administrative expenses to average assets | 2.01% | 1.79% | 1.76% | 1.71% | 1.70% |
| Efficiency ratio(1) | 46.61 | 41.84 | 41.14 | 39.77 | 39.25 |
| Annualized return on average tangible equity(2) | 22.31 | 23.59 | 22.74 | 21.29 | 22.18 |

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- (1) Computed as the ratio of total administrative expenses to net interest income and total other income.

(2) Computed as the ratio of net income, excluding the amortization of other intangible assets, to average tangible equity.

| | Twelve Months Ended | |
|--|---------------------|----------|
| | 12/31/03 | 12/31/02 |
| Returns and ratios based on net income: | | |
| Return on average assets | 1.45% | 1.47% |
| Return on average equity | 19.45 | 19.38 |
| Average equity to average assets | 7.45 | 7.59 |
| Net interest income to administrative expenses | 1.48x | 1.72x |
| Administrative expenses to average assets | 1.82% | 1.73% |
| Efficiency ratio(1) | 42.34 | 39.54 |
| Return on average tangible equity(2) | 22.51 | 22.31 |

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- (1) Computed as the ratio of total administrative expenses to net interest income and total other income.

(2) Computed as the ratio of net income, excluding the amortization of other intangible assets, to average tangible equity.

| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
|---|----------|----------|----------|----------|----------|
| End of period capitalization: | | | | | |
| Equity to assets | 7.68% | 7.49% | 7.62% | 7.47% | 7.36% |
| Tangible equity to assets | 6.63 | 6.45 | 6.56 | 6.50 | 6.36 |
| Book value per share | \$ 14.68 | \$ 14.53 | \$ 14.87 | \$ 14.36 | \$ 13.72 |
| Tangible book value per share | 12.67 | 12.52 | 12.81 | 12.50 | 11.86 |
| Miscellaneous end-of-period data: | | | | | |
| Number of employees (full-time equivalents) | 7,804 | 7,765 | 7,703 | 7,198 | 6,997 |
| Number of full-service branches | 592 | 566 | 522 | 477 | 461 |
| Number of loan production offices | 33 | 27 | 28 | 26 | 26 |
| Number of ATMs | 969 | 956 | 953 | 918 | 913 |

CHARTER ONE FINANCIAL, INC.
AVERAGE BALANCE SHEET, YIELDS AND COSTS
(unaudited)

| | Three Months Ended | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|
| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
| (Dollars in thousands) | | | | | |
| Average balance sheet data: | | | | | |
| Interest-earning assets: | | | | | |
| Loans and leases | \$28,876,531 | \$26,993,081 | \$26,101,819 | \$25,851,471 | \$26,690,752 |
| Mortgage-backed securities | 10,849,575 | 12,732,102 | 14,405,655 | 13,137,545 | 11,218,473 |
| Investment securities | 265,043 | 286,497 | 260,634 | 210,920 | 212,698 |
| Other interest-earning assets | 715,197 | 723,721 | 839,597 | 762,760 | 725,937 |
| | | | | | |
| Total interest-earning assets | 40,706,346 | 40,735,401 | 41,607,705 | 39,962,696 | 38,847,860 |
| Allowance for loan and lease losses | (396,096) | (379,527) | (360,448) | (327,090) | (292,981) |
| Noninterest-earning assets(1) | 3,089,013 | 3,272,787 | 3,044,576 | 3,150,359 | 2,946,801 |
| | | | | | |
| Total assets | \$43,399,263 | \$43,628,661 | \$44,291,833 | \$42,785,965 | \$41,501,680 |
| | | | | | |
| Interest-bearing liabilities: | | | | | |
| Checking accounts | \$ 5,716,427 | \$ 6,166,100 | \$ 6,951,974 | \$ 7,541,679 | \$ 6,801,571 |
| Money market and savings accounts | 8,736,844 | 8,545,286 | 8,332,278 | 7,929,274 | 8,579,110 |
| Certificates of deposit | 10,699,475 | 10,708,517 | 9,733,110 | 9,562,013 | 9,898,021 |
| | | | | | |
| Total interest-bearing deposits | 25,152,746 | 25,419,903 | 25,017,362 | 25,032,966 | 25,278,702 |
| Federal Home Loan Bank advances | 10,147,668 | 10,265,634 | 11,397,410 | 10,410,188 | 9,026,637 |
| Other borrowings | 925,641 | 871,430 | 874,062 | 866,495 | 945,945 |
| | | | | | |
| Total interest-bearing liabilities | 36,226,055 | 36,556,967 | 37,288,834 | 36,309,649 | 35,251,284 |
| | | | | | |
| Noninterest-bearing liabilities: | | | | | |
| Demand deposit accounts | 2,505,876 | 2,615,262 | 2,308,993 | 2,017,036 | 2,024,854 |
| Other noninterest-bearing liabilities | 1,377,774 | 1,292,960 | 1,349,173 | 1,266,385 | 1,175,213 |
| | | | | | |
| Total noninterest-bearing liabilities | 3,883,650 | 3,908,222 | 3,658,166 | 3,283,421 | 3,200,067 |
| | | | | | |
| Total liabilities | 40,109,705 | 40,465,189 | 40,947,000 | 39,593,070 | 38,451,351 |
| Shareholders' equity | 3,289,558 | 3,163,472 | 3,344,833 | 3,192,895 | 3,050,329 |
| | | | | | |
| Total liabilities and shareholders' equity | \$43,399,263 | \$43,628,661 | \$44,291,833 | \$42,785,965 | \$41,501,680 |
| | | | | | |
| Yields and costs during period: | | | | | |
| Weighted average yield: | | | | | |
| Loans and leases(2) | 5.19% | 5.46% | 5.64% | 5.86% | 6.26% |
| Mortgage-backed securities | 4.53 | 4.24 | 4.48 | 4.80 | 5.06 |
| Investment securities | 5.49 | 5.04 | 5.15 | 5.87 | 5.70 |
| Other interest-earning assets | 4.17 | 4.07 | 3.70 | 3.87 | 4.41 |
| Total interest-earning assets | 5.00 | 5.05 | 5.19 | 5.48 | 5.88 |
| Weighted average cost(3): | | | | | |
| Checking accounts | .88 | .96 | 1.35 | 1.65 | 1.92 |
| Money market and savings accounts | 1.04 | 1.10 | 1.50 | 1.55 | 1.93 |
| Certificates of deposit | 2.79 | 2.86 | 2.97 | 3.09 | 3.19 |
| Total interest-bearing deposits | 1.75 | 1.81 | 2.03 | 2.17 | 2.42 |
| Federal Home Loan Bank advances | 3.80 | 3.89 | 3.66 | 3.88 | 4.64 |
| Other borrowings | 5.89 | 6.03 | 6.38 | 6.10 | 5.74 |
| Total interest-bearing liabilities | 2.43 | 2.49 | 2.63 | 2.75 | 3.07 |
| Interest rate spread | 2.57 | 2.56 | 2.56 | 2.73 | 2.81 |
| Net yield on interest-earning assets | 2.84 | 2.80 | 2.84 | 2.99 | 3.07 |

- (1) Includes mark-to-market adjustments on securities available for sale.
- (2) Excludes impact of related tax benefits.
- (3) Includes the annualized effect of interest rate risk management instruments.

CHARTER ONE FINANCIAL, INC.
AVERAGE BALANCE SHEET, YIELDS AND COSTS
(unaudited)

| | Twelve Months Ended | |
|--|---------------------|--------------|
| | 12/31/03 | 12/31/02 |
| (Dollars in thousands) | | |
| Average balance sheet data: | | |
| Interest-earning assets: | | |
| Loans and leases | \$26,964,344 | \$25,647,597 |
| Mortgage-backed securities | 12,775,588 | 9,919,641 |
| Investment securities | 258,519 | 177,498 |
| Other interest-earning assets | 760,089 | 894,898 |
| | | |
| Total interest-earning assets | 40,758,540 | 36,639,634 |
| Allowance for loan and lease losses | (366,019) | (268,654) |
| Noninterest-earning assets(1) | 3,137,119 | 2,877,215 |
| | | |
| Total assets | \$43,529,640 | \$39,248,195 |
| | | |
| Interest-bearing liabilities: | | |
| Checking accounts | \$ 6,587,872 | \$ 6,278,844 |
| Money market and savings accounts | 8,388,570 | 8,084,926 |
| Certificates of deposit | 10,180,355 | 10,054,727 |
| | | |
| Total interest-bearing deposits | 25,156,797 | 24,418,497 |
| Federal Home Loan Bank advances | 10,553,712 | 8,233,376 |
| Other borrowings | 884,670 | 732,466 |
| | | |
| Total interest-bearing liabilities | 36,595,179 | 33,384,339 |
| | | |
| Noninterest-bearing liabilities: | | |
| Demand deposit accounts | 2,363,839 | 1,816,036 |
| Other noninterest-bearing liabilities | 1,326,714 | 1,066,934 |
| | | |
| Total noninterest-bearing liabilities | 3,690,553 | 2,882,970 |
| | | |
| Total liabilities | 40,285,732 | 36,267,309 |
| Shareholders' equity | 3,243,908 | 2,980,886 |
| | | |
| Total liabilities and shareholders' equity | \$43,529,640 | \$39,248,195 |
| | | |
| Yields and costs during period: | | |
| Weighted average yield: | | |
| Loans and leases(2) | 5.52% | 6.52% |
| Mortgage-backed securities | 4.52 | 5.72 |
| Investment securities | 5.30 | 6.62 |
| Other interest-earning assets | 3.94 | 3.89 |
| Total interest-earning assets | 5.17 | 6.24 |
| Weighted average cost(3): | | |
| Checking accounts | 1.24 | 2.12 |
| Money market and savings accounts | 1.29 | 2.15 |
| Certificates of deposit | 2.92 | 3.46 |
| Total interest-bearing deposits | 1.94 | 2.68 |
| Federal Home Loan Bank advances | 3.80 | 5.06 |
| Other borrowings | 6.10 | 6.12 |
| Total interest-bearing liabilities | 2.58 | 3.34 |
| Interest rate spread | 2.59 | 2.90 |
| Net yield on interest-earning assets | 2.87 | 3.19 |

- (1) Includes mark-to-market adjustments on securities available for sale.
- (2) Excludes impact of related tax benefits.
- (3) Includes the annualized effect of interest rate risk management instruments.

CHARTER ONE FINANCIAL, INC.
LOAN AND LEASE ACTIVITY
(unaudited)

| | Three Months Ended | | | | |
|--|--------------------|-------------|-------------|---------------|-------------|
| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
| (Dollars in thousands) | | | | | |
| Originations: | | | | | |
| Real estate: | | | | | |
| Permanent: | | | | | |
| One-to-four family | \$1,848,459 | \$3,896,869 | \$3,555,968 | \$ 3,095,718 | \$3,440,287 |
| Multifamily | 84,470 | 75,185 | 57,451 | 51,440 | 48,281 |
| Commercial | 92,383 | 124,806 | 60,226 | 90,213 | 62,335 |
| Total permanent loans | 2,025,312 | 4,096,860 | 3,673,645 | 3,237,371 | 3,550,903 |
| Construction: | | | | | |
| One-to-four family | 45,304 | 62,180 | 53,537 | 35,556 | 40,674 |
| Multifamily | 84,815 | 30,371 | 7,613 | 19,283 | 40,408 |
| Commercial | 29,921 | 16,656 | 30,246 | 10,830 | 53,469 |
| Total construction loans | 160,040 | 109,207 | 91,396 | 65,669 | 134,551 |
| Total real estate loans originated | 2,185,352 | 4,206,067 | 3,765,041 | 3,303,040 | 3,685,454 |
| Retail consumer | 1,167,620 | 1,431,291 | 1,209,221 | 1,079,290 | 1,205,611 |
| Automobile | 719,738 | 909,477 | 1,026,245 | 981,114 | 916,539 |
| Consumer finance | 92,340 | 128,536 | 122,839 | 101,927 | 100,568 |
| Leases | 127,148 | 152,279 | 73,946 | 101,571 | 200,083 |
| Corporate banking | 582,832 | 443,732 | 473,677 | 448,326 | 451,915 |
| Total loans and leases originated | 4,875,030 | 7,271,382 | 6,670,969 | 6,015,268 | 6,560,170 |
| Acquired through business combinations and purchases | 3,058 | 2,737 | 403,324 | 3,765 | 4,316 |
| Sales and principal reductions: | | | | | |
| Loans sold | 670,456 | 1,067,083 | 885,179 | 763,051 | 742,255 |
| Loans exchanged for mortgage-backed securities | 1,207,646 | 225,498 | 2,346,609 | 3,419,116 | 1,600,962 |
| Principal reductions | 2,744,598 | 3,447,925 | 3,260,094 | 3,025,830 | 3,587,423 |
| Total sales and principal reductions | 4,622,700 | 4,740,506 | 6,491,882 | 7,207,997 | 5,930,640 |
| Increase (decrease) before net items | \$ 255,388 | \$2,533,613 | \$ 582,411 | \$(1,188,964) | \$ 633,846 |

| | Twelve Months Ended | |
|--|---------------------|--------------|
| | 12/31/03 | 12/31/02 |
| (Dollars in thousands) | | |
| Originations: | | |
| Real estate: | | |
| Permanent: | | |
| One-to-four family | \$12,397,014 | \$10,554,142 |
| Multifamily | 268,546 | 157,166 |
| Commercial | 367,628 | 237,710 |
| Total permanent loans | 13,033,188 | 10,949,018 |
| Construction: | | |
| One-to-four family | 196,577 | 172,081 |
| Multifamily | 142,082 | 79,346 |
| Commercial | 87,653 | 164,577 |
| Total construction loans | 426,312 | 416,004 |
| Total real estate loans originated | 13,459,500 | 11,365,022 |
| Retail consumer | 4,887,422 | 4,091,298 |
| Automobile | 3,636,574 | 3,395,273 |
| Consumer finance | 445,642 | 285,920 |
| Leases | 454,944 | 521,096 |
| Corporate banking | 1,948,567 | 1,717,328 |
| Total loans and leases originated | 24,832,649 | 21,375,937 |
| Acquired through business combinations and purchases | 412,884 | 218,308 |
| Sales and principal reductions: | | |
| Loans sold | 3,385,769 | 2,394,524 |
| Loans exchanged for mortgage-backed securities | 7,198,869 | 6,667,082 |
| Principal reductions | 12,478,447 | 11,954,076 |

| | | |
|--------------------------------------|--------------|------------|
| Total sales and principal reductions | 23,063,085 | 21,015,682 |
| Increase before net items | \$ 2,182,448 | \$ 578,563 |

CHARTER ONE FINANCIAL, INC.
ALLOWANCE FOR LOAN AND LEASE LOSSES
(unaudited)

| | Three Months Ended | | | | |
|--|--------------------|-----------|-----------|-----------|-----------|
| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
| (Dollars in thousands) | | | | | |
| Allowance for loan and lease losses: | | | | | |
| Balance, beginning of period | \$389,355 | \$376,393 | \$355,926 | \$328,017 | \$292,800 |
| Provision for loan and lease losses | 17,778 | 37,663 | 35,360 | 61,471 | 60,314 |
| Acquired through business combination | — | — | 4,969 | — | — |
| Loans and leases charged off: | | | | | |
| One-to-four family | (686) | (655) | (1,036) | (670) | (1,127) |
| Commercial real estate | (419) | (474) | (253) | (500) | (144) |
| Retail consumer | (2,234) | (2,819) | (2,596) | (3,478) | (3,004) |
| Automobile | (16,794) | (15,869) | (13,628) | (16,450) | (15,941) |
| Consumer finance | (3,811) | (4,396) | (3,975) | (4,537) | (5,785) |
| Leases | — | — | (2,095) | (6,061) | (88) |
| Corporate banking | (5,018) | (6,610) | (2,652) | (7,245) | (5,799) |
| Total charge-offs | (28,962) | (30,823) | (26,235) | (38,941) | (31,888) |
| Recoveries: | | | | | |
| One-to-four family | 24 | 31 | 41 | 17 | 42 |
| Commercial real estate | 129 | 68 | 61 | 148 | 41 |
| Retail consumer | 380 | 1,044 | 548 | 433 | 588 |
| Automobile | 4,010 | 4,279 | 4,561 | 4,115 | 3,582 |
| Consumer finance | 264 | 329 | 235 | 105 | 191 |
| Leases | 253 | 228 | 606 | 393 | 1,897 |
| Corporate banking | 502 | 143 | 321 | 168 | 450 |
| Total recoveries | 5,562 | 6,122 | 6,373 | 5,379 | 6,791 |
| Net loan and lease charge-offs | (23,400) | (24,701) | (19,862) | (33,562) | (25,097) |
| Balance, end of period | \$383,733 | \$389,355 | \$376,393 | \$355,926 | \$328,017 |
| Net charge-offs to average loans and leases (annualized) | .32% | .37% | .30% | .52% | .38% |

| | Twelve Months Ended | |
|---|---------------------|------------|
| | 12/31/03 | 12/31/02 |
| (Dollars in thousands) | | |
| Allowance for loan and lease losses: | | |
| Balance, beginning of period | \$ 328,017 | \$ 255,478 |
| Provision for loan and lease losses | 152,272 | 192,003 |
| Acquired through business combination | 4,969 | 3,184 |
| Loans and leases charged off: | | |
| One-to-four family | (3,047) | (5,802) |
| Commercial real estate | (1,646) | (1,352) |
| Retail consumer | (11,127) | (13,100) |
| Automobile | (62,741) | (78,965) |
| Consumer finance | (16,719) | (26,395) |
| Leases | (8,156) | (2,868) |
| Corporate banking | (21,525) | (16,612) |
| Total charge-offs | (124,961) | (145,094) |
| Recoveries: | | |
| One-to-four family | 113 | 957 |
| Commercial real estate | 406 | 659 |
| Retail consumer | 2,405 | 1,834 |
| Automobile | 16,965 | 12,687 |
| Consumer finance | 933 | 524 |
| Leases | 1,480 | 2,327 |
| Corporate banking | 1,134 | 3,458 |
| Total recoveries | 23,436 | 22,446 |
| Net loan and lease charge-offs | (101,525) | (122,648) |
| Balance, end of period | \$ 383,733 | \$ 328,017 |
| Net charge-offs to average loans and leases | .38% | .48% |

CHARTER ONE FINANCIAL, INC.
NET CHARGE-OFFS TO AVERAGE LOANS AND LEASES
(unaudited)

| | Three Months Ended | | | | |
|--|--------------------|--------------|--------------|--------------|--------------|
| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
| (Dollars in thousands) | | | | | |
| Average loans and leases: | | | | | |
| Mortgage | \$12,333,237 | \$11,481,071 | \$11,126,226 | \$11,083,170 | \$11,659,164 |
| Retail consumer | 5,346,225 | 4,535,869 | 4,329,896 | 4,510,460 | 5,264,728 |
| Automobile | 6,360,687 | 6,317,768 | 6,088,204 | 5,763,289 | 5,447,392 |
| Consumer finance | 1,079,984 | 1,055,588 | 1,023,295 | 995,653 | 980,524 |
| Leases | 2,196,592 | 2,116,646 | 2,127,384 | 2,145,022 | 2,085,474 |
| Corporate banking | 1,559,806 | 1,486,139 | 1,406,814 | 1,353,877 | 1,253,470 |
| | | | | | |
| Total average loans and leases | \$28,876,531 | \$26,993,081 | \$26,101,819 | \$25,851,471 | \$26,690,752 |
| | | | | | |
| Net charge-offs (recoveries) to average loans and leases (annualized): | | | | | |
| Mortgage | .03% | .04% | .04% | .04% | .04% |
| Retail consumer | .14 | .16 | .19 | .27 | .18 |
| Automobile | .80 | .73 | .60 | .86 | .91 |
| Consumer finance | 1.31 | 1.54 | 1.46 | 1.78 | 2.28 |
| Leases | (.05) | (.04) | .28 | 1.06 | (.35) |
| Corporate banking | 1.16 | 1.74 | .66 | 2.09 | 1.71 |
| Total | .32 | .37 | .30 | .52 | .38 |

LOAN AND LEASE PORTFOLIO
(unaudited)

| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
|---|--------------|--------------|--------------|--------------|--------------|
| (Dollars in thousands) | | | | | |
| Loan and lease portfolio, net(1): | | | | | |
| One-to-four family: | | | | | |
| Permanent: | | | | | |
| Fixed rate | \$ 6,001,695 | \$ 6,737,463 | \$ 5,411,639 | \$ 5,506,314 | \$ 5,869,554 |
| Adjustable rate | 2,830,677 | 2,600,507 | 2,577,778 | 2,546,426 | 2,437,166 |
| Construction | 485,354 | 451,093 | 418,485 | 412,973 | 427,729 |
| | | | | | |
| | 9,317,726 | 9,789,063 | 8,407,902 | 8,465,713 | 8,734,449 |
| | | | | | |
| Commercial real estate: | | | | | |
| Multifamily | 776,528 | 752,006 | 739,464 | 705,851 | 730,263 |
| Commercial | 1,193,377 | 1,181,362 | 1,148,073 | 1,058,610 | 1,024,840 |
| Construction | 521,680 | 528,628 | 536,330 | 496,106 | 506,178 |
| | | | | | |
| | 2,491,585 | 2,461,996 | 2,423,867 | 2,260,567 | 2,261,281 |
| | | | | | |
| Consumer: | | | | | |
| Retail | 5,491,923 | 4,999,488 | 4,180,702 | 4,173,080 | 5,494,453 |
| Automobile | 6,364,703 | 6,376,830 | 6,247,964 | 5,934,502 | 5,606,329 |
| Consumer finance | 1,092,533 | 1,073,054 | 1,038,517 | 1,005,077 | 984,772 |
| | | | | | |
| | 12,949,159 | 12,449,372 | 11,467,183 | 11,112,659 | 12,085,554 |
| | | | | | |
| Business: | | | | | |
| Leases | 2,195,418 | 2,166,350 | 2,104,713 | 2,125,905 | 2,133,468 |
| Corporate banking | 1,680,293 | 1,553,739 | 1,462,880 | 1,368,069 | 1,318,003 |
| | | | | | |
| | 3,875,711 | 3,720,089 | 3,567,593 | 3,493,974 | 3,451,471 |
| | | | | | |
| Loans and leases before allowance for loan and lease losses | 28,634,181 | 28,420,520 | 25,866,545 | 25,332,913 | 26,532,755 |
| Allowance for loan and lease losses | (383,733) | (389,355) | (376,393) | (355,926) | (328,017) |
| | | | | | |
| Loans and leases, net(1) | \$28,250,448 | \$28,031,165 | \$25,490,152 | \$24,976,987 | \$26,204,738 |
| | | | | | |
| Portfolio of loans serviced for others | \$16,877,169 | \$16,700,490 | \$18,948,077 | \$18,713,649 | \$16,893,609 |

(1) Includes loans held for sale.

CHARTER ONE FINANCIAL, INC.

NONPERFORMING AND UNDERPERFORMING ASSETS

(unaudited)

| | 12/31/03 | 9/30/03 | 6/30/03 | 3/31/03 | 12/31/02 |
|--|-----------|-----------|-----------|-----------|-----------|
| (Dollars in thousands) | | | | | |
| Nonperforming assets: | | | | | |
| Nonaccrual loans and leases: | | | | | |
| Real estate mortgage loans: | | | | | |
| One-to-four family | \$ 23,301 | \$ 22,784 | \$ 25,723 | \$ 27,867 | \$ 27,904 |
| Multifamily and commercial | 33,692 | 11,333 | 16,764 | 5,591 | 5,369 |
| Construction and land | 25,161 | 22,974 | 27,483 | 8,015 | 9,885 |
| Total real estate mortgage loans | 82,154 | 57,091 | 69,970 | 41,473 | 43,158 |
| Retail consumer | 9,818 | 10,405 | 10,652 | 12,046 | 13,937 |
| Automobile | — | — | — | — | — |
| Consumer finance | 42,843 | 42,589 | 43,175 | 42,562 | 40,227 |
| Leases | 6,360 | 6,569 | 6,877 | 15,264 | 6,211 |
| Corporate banking | 28,408 | 25,078 | 35,595 | 42,068 | 39,098 |
| Total nonaccrual loans and leases | 169,583 | 141,732 | 166,269 | 153,413 | 142,631 |
| Restructured real estate mortgage loans | 474 | 481 | 488 | 494 | 501 |
| Total nonperforming loans and leases | 170,057 | 142,213 | 166,757 | 153,907 | 143,132 |
| Real estate and other collateral owned | 35,654 | 47,249 | 39,278 | 40,020 | 40,776 |
| Total nonperforming assets | \$205,711 | \$189,462 | \$206,035 | \$193,927 | \$183,908 |
| Ratio of: | | | | | |
| Nonperforming loans and leases to total loans and leases | .60% | .51% | .65% | .62% | .55% |
| Nonperforming assets to total assets | .48 | .44 | .47 | .45 | .44 |
| Nonperforming assets to total loans, leases and real estate and other collateral owned | .73 | .67 | .81 | .78 | .70 |
| Allowance for loan and lease losses to: | | | | | |
| Nonperforming loans and leases | 225.65 | 273.78 | 225.71 | 231.26 | 229.17 |
| Total loans and leases before allowance | 1.34 | 1.37 | 1.46 | 1.40 | 1.24 |
| Accruing loans and leases delinquent more than 90 days: | | | | | |
| Real estate mortgage loans: | | | | | |
| One-to-four family | \$ 21,549 | \$ 21,239 | \$ 18,056 | \$ 23,507 | \$ 25,643 |
| Multifamily and commercial | — | — | 396 | — | — |
| Construction and land | — | — | — | — | — |
| Total real estate mortgage loans | 21,549 | 21,239 | 18,452 | 23,507 | 25,643 |
| Retail consumer | 2,722 | 2,654 | 3,056 | 3,229 | 4,758 |
| Automobile | 2,771 | 2,680 | 2,254 | 3,579 | 3,621 |
| Consumer finance | 17,839 | 23,298 | 21,172 | 27,395 | 26,739 |
| Leases | 52 | — | — | 181 | 19 |
| Corporate banking | 522 | 311 | 117 | 471 | 1,536 |
| Total accruing loans and leases delinquent more than 90 days | \$ 45,455 | \$ 50,182 | \$ 45,051 | \$ 58,362 | \$ 62,316 |
| Total underperforming assets | \$251,166 | \$239,644 | \$251,086 | \$252,289 | \$246,224 |
| Ratio of: | | | | | |
| Underperforming assets to total assets | .59% | .55% | .57% | .58% | .59% |
| Underperforming assets to total loans, leases and real estate and other collateral owned | .89 | .85 | .98 | 1.01 | .94 |

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

CHARTER ONE FINANCIAL, INC

Date: January 20, 2004

By: /s/ Robert J. Vana

Robert J. Vana
Senior Vice President, Chief
Corporate Counsel and Corporate Secretary